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Nigeria

Sugar

Annual

2001

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Report Highlights:
Nigeria continues to rely almost exclusively on imported sugar to satisfy consumer demand. Industry mismanagement, along with crop losses attributed to flooding and fires, has sharply curtailed cane sugar processing volumes and sugar output in 2000/01. Nigeria's first private sugar refinery initiated operations last year and is redirecting sugar imports from refined to raw form.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
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Executive Summary

Post forecasts Nigeria's domestic sugar production in 2001/2002 at 40,000 tons, almost double sugar production during the current year. Our forecast is based in part on the anticipated gains from the completion of the rehabilitation and expansion of one of the two government-owned and operated commercial estates. Our estimate of sugarcane production in 2000/2001 has been revised downwards to 240,000 tons due to widespread fire and flooding in key growing zones. Rehabilitation and expansion of cane fields and milling facilities financed by the African Development Bank (ADB) was stopped at Nigeria Sugar Company (NISSUCO) following the reported non-compliance with terms of the financing arrangement by the contractor handling the project. Nigeria's domestic sugar production currently constitutes no more 2 percent of national consumption requirements.

Despite the promulgation of a new investment code designed to encourage private investment in agriculture, private sector investment in cane cultivation virtually non-existent. Industry sources suggest that prospective investors are waiting for the implementation of the privatization of government-owned estates at Bacita and Numan. The GON has programmed to privatize these estates in 2001. Sugarcane production in Nigeria is tied almost exclusively to the government-owned estates. Private sector investment in the sector is confined to small out-growers for the estates, a few mid-sized cane farmers, and the new refinery in Lagos port which is processing imported raw sugar. The National Sugar Development Council (NSDC) installed 6 mini sugar mills over the past year and leased these facilities to private farmers in key sugarcane growing areas. The Council is assisting Sunti sugar estate to establish a mill capable of processing 250 tons of cane daily. Additionally, the Council is supporting an expansion of processing capacity for Lafiaji mill from 100 to 200 tons of cane per day during the current year.

Nigeria's first privately owned sugar refinery commenced normal milling operations in March 2000. The 700,000 ton per annum sugar refinery was established primarily to process imported raw sugar. It is located in the port of Lagos. Import volumes of refined sugar are falling, while raw sugar imports will continue to rise.

Exchange Rate : US$1 = 125 Naira

PSD Table : Centrifugal Sugar

PSD Table						
Country	Nigeria					
Commodity	Centrifugal Sugar				(1000 MT)	
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		09/1999		09/2000		09/2001
Beginning Stocks	106	106	216	216	131	130
Beet Sugar Production	0	0	0	0	0	0
Cane Sugar Production	20	20	50	21	0	40
TOTAL Sugar Production	20	20	50	21	0	40
Raw Imports	120	120	500	500	0	600
Refined Imp.(Raw Val)	705	705	200	214	0	160
TOTAL Imports	825	825	700	714	0	760
TOTAL SUPPLY	951	951	966	951	131	930
Raw Exports	0	0	0	0	0	0
Refined Exp.(Raw Val)	20	20	100	100	0	100
TOTAL EXPORTS	20	20	100	100	0	100
Human Dom. Consumption	715	715	735	721	0	730
Feed Dom. Consumption	0	0	0	0	0	0
TOTAL Dom. Consumption	715	715	735	721	0	730
Ending Stocks	216	216	131	130	0	100
TOTAL DISTRIBUTION	951	951	966	951	0	930

Production

Nigeria's sugar production in 2000/01 fell far short of Post's initial forecast due to extensive flooding in fields belonging to the Nigeria Sugar Company (NISSUCO) and a major fire in the estate belonging to the Savannah Sugar Company. NISSUCO has the capacity to produce 60,000 tons of brown sugar per year, but actual production in 2000/2001 is not expected to exceed 3,000 tons because of the cessation of the expansion and rehabilitation program. Post revised its 2000/2001 production estimate down to 21,000 tons to reflect ongoing production constraints. Nigeria's low domestic sugar production level is a reflection of the general poor state of Nigeria's agro-industrial sector, which is characterized by low capacity utilization and high production costs. Specific constraints to growth in the sector include:

- Inadequate electrical power supply.
- Erratic water availability for irrigation
- Lack of capital needed for investment in infrastructure, land development, and factory maintenance.

The ADB placed a "stop order" on the rehabilitation and expansion program at the Bacita estate because it found the contractors handling the project in non-compliance with the terms of its loan agreement. Milling operations have ceased because of the poor state of the mill. The rehabilitation and expansion program at Savannah Sugar Company has reached 95 percent completion. The company's output in the 2000/2001 season has been curtailed by a major fire outbreak which reportedly destroyed a substantial portion of their cane fields.

Key elements of the planned ADB-financed expansion and rehabilitation programs in each of the Government-owned estates are:

NISUCO	-Factory expansion from the present capacity of 35,000 tons to 60,000 tons which will increase the factory's crushing capacity from 2,400 to 6,000 tons of cane per day. -Rehabilitation of about 3,000 hectares of the estate's cane fields in areas less prone to flooding.
Savannah	-Expansion of existing estate cane fields by an additional 2000 hectares. -Rehabilitation and expansion of factory processing capacity to 6,000 tons of cane per day.
LASUCO	-Expansion of factory capacity from 100 to 200 tons of cane per day. -Construction of irrigation infrastructure to facilitate the development of approximately 600 additional hectares of estate cane fields.
SUNTI	-Establishment of a 250 tons of cane per day mini sugar factory to be funded by the National Sugar Development Council. -Development of an additional 450 hectares of estate cane fields.

With the completion of Nigeria's rehabilitation and expansion program, national annual sugar production capacity may reach 300,000 tons. Local sugar output, however, will still fall far short of total annual consumption requirements which are likely to reach a million tons when the expansion program reaches completion within the next 3 - 5 years.

Nigeria, however, does have the potential to be self-sufficient in sugar production. Virtually all the ecologies found in the country are well suited for sugarcane production. A recent study by the GON identified 40 potential sites which, if fully developed, can meet Nigeria's sugar requirements and still provide modest volumes for export. At present, cane production in Nigeria is limited to 4 government-owned estates.

In addition to encouraging increased private sector investment in local sugarcane production and sugar processing facilities, the NSDC initiated intervention measures last year aimed at ensuring that Nigeria moves in the direction of attaining 70 percent self-sufficiency in sugar production by 2010. The Council is assisting Sunti Sugar Company to establish a 250 tons of cane per day mini sugar factory and an expansion of Lafiaji sugar plant to 200 tons of cane per day. Six mini sugar mills were purchased by the Council and leased to sugar farmers. The mini mills are located in Kano, Edo, Taraba, Kebbi, and Kogi States.

Yield

Both sugarcane and mill yield levels in Nigeria tend to be low by international standards due to poor farm management and low factory efficiency. Most growers continue to plant varieties which are low yielding and have low sucrose content. Fertilizer application falls far short of optimal levels and generally poor cultivation practices are common. Six new cane varieties which have proven to be high-yielding, disease resistant, early maturing, and demonstrate good ratooning characteristics are on trial at mill estates. In Nigeria, the average sugarcane yield on most estates falls below 80 tons per hectare. On average, sugar factories in the country process 12 tons of sugarcane for every ton of sugar produced.

Consumption

Per capita sugar consumption in Nigeria is estimated at 6 kilograms, which is comparatively low in Africa. Total annual sugar consumption reaches 730,000 tons for Nigeria's 120 million people. This figure is based largely on import statistics supplied by the local trade. Real consumption levels may be significantly higher than our 730,000 ton figure due to undocumented imports which is a common practice in Nigeria. Locally produced sugar accounts for only 2 percent of Nigeria's total domestic consumption requirements.

Trends in industrial activity where sugar is needed as a processing input, such as for soft drinks, pharmaceuticals, beverages and in the manufacture of confectionary products, suggest that sugar demand will continue to rise. Industrial usage represents close to 35 percent of the total sugar consumption in Nigeria. Soft drink production accounts for about 50 percent of industrial usage. Household consumption dominates sugar usage in Nigeria, accounting for about two-thirds of national consumption.

Prices

Despite a decline in international sugar price levels over the past year, the wholesale price of sugar in Nigeria increased to 45,000 naira per ton in March 2001, up from 35,000 naira per ton at the same time a year earlier. The price increase reflects the recent sharp devaluation of the local currency. Cash strapped consumers have reportedly resorted to the use of local and alternative sweeteners with serious health implications due to poor quality control measures.

Trade

The Dangote Group diversified its operations to include the construction of a sugar refinery in the port of Lagos. This plant was built to refine imported raw sugar. Milling operations commenced at this 700,000 tons per annum sugar refinery. It was established primarily to refine imported raw sugar and is the only plant in Nigeria with the capacity to produce white sugar. The Dangote Group built the refinery in order to regain its dominant position in sugar importing and distribution in Nigeria. The Dangote Group was allowed under Nigeria's investment code to import raw sugar at a discounted duty rate of 5 percent, while imported refined sugar is assessed a 10 percent duty. In its first year of operation, the Dangote refinery processed close to 500,000 tons of raw sugar, largely imported from Brazil. The mill operated at about 65 percent of its installed capacity.

Nigeria's imports of refined sugar are forecast to decline from our revised estimate of 214,000 tons (raw equivalent) in 2000/01 to 160,000 tons in the upcoming year. Imports of refined sugar will fall as the refinery moves forward to achieve full capacity production. Imports of raw sugar are forecast to increase from 500,000 to 600,000 tons to supply the new refinery.

Though export figures are not available to construct an export trade matrix, Post forecasts undocumented cross-border sugar exports in 2001/02 at 100,000 tons, the same level as in the current marketing year. Most of this movement is expected to be directed to the land-locked countries of Chad and Niger. The Dangote Group is likely to attempt to take advantage of the ECOWAS trade liberalization scheme to export its refined sugar output to countries within this regional trade block.

Policy

The stated policy of the Nigerian government is to move Nigeria quickly from dependence on imports to at least 70 percent self-sufficiency in domestic sugar production by 2010. The GON, through the NSDC, provides support for private investors in local sugar production. The GON has published a new investment code detailing its incentives to investors. Additionally, existing government-owned, fully integrated sugar companies have been listed for privatization with the hope of achieving improved management and production output levels within the industry.

Tariffs
Imported refined sugar attracts a duty of 10 percent ad valorem, a development levy of 5 percent of the cif value is assessed against bagged sugar, plus port surcharges equal to 7 percent of the value of the duty. The effective duty on refined sugar imports, therefore, is close to 15 percent. The Dangote Group obtained a concession from the GON to import raw sugar classified as an industrial raw material, which attracts a duty of only 5 percent. Dangote's raw sugar imports also are exempted from the 5 percent development levy which is imposed on refined sugar. This exemption was granted on the condition that the Dangote group will embark on backward integration into sugarcane production. So far, there is no evidence of such investment, but there are indications that the Group may be interested in the existing government-owned sugar estates which are programmed for privatization.

PSD Table : Sugar Cane Centrifugal

PSD Table						
Country	Nigeria					
Commodity	Sugar Cane for Centrifugal				(1000 HA)(1000 MT)	
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		09/1999		09/2000		09/2001
Area Planted	20	20	24	22	0	24
Area Harvested	14	18	24	18	0	24
Production	240	240	600	240	0	480
TOTAL SUPPLY	240	240	600	240	0	480
Utilization for Sugar	220	220	540	220	0	460
Utilizatn for Alcohol	20	20	60	20	0	20
TOTAL UTILIZATION	240	240	600	240	0	480

Table : Import Matrix

Import Trade Matrix			

Country	Nigeria		
Commodity	Centrifugal Sugar		
Time period	Jan - Dec	Units:	Tons (Raw val)
Imports for:	2000		2001
U.S.	0	U.S.	0
Others		Others	
Brazil	625,000		500,000
EU	100,000		114,000
Others	100,000		100,000
Total for Others	825000		714000
Others not Listed			
Grand Total	825000		714000